

Montauk Metals Obtains Litigation Funding Against the Republic of Colombia and Withdrawal of Private Placement

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TORONTO, Dec. 28, 2023 - [Montauk Metals Inc.](#) (TSX-V: MTK) (the "Company" or "Montauk") is pleased to announce that it is been advanced US\$200,000 (the "Loan Amount") pursuant to the loan and option agreement (the "Loan Agreement") with Omni Bridgeway (Fund 5) Canada Investments Ltd. ("Omni"), as previously announced in its news release on November 9, 2023. The Loan Amount was advanced to the Company in connection with the execution of promissory note by Montauk in favour of Omni (the "Note").

Background

Montauk brought arbitration proceedings (the "Arbitration") against the Republic of Colombia ("Colombia") to enforce the Company's rights to compensation under the Canada-Colombia Free Trade Agreement (the "FTA"), as previously described in its news releases of March 27, 2018, February 25, 2019, February 10, 2020, November 23, 2021, September 1, 2023, October 5, 2023 and November 9, 2023 and subject to certain conditions and approvals as noted below.

Montauk contends that Colombia breached its obligations owed to the Company, including specific obligations under the FTA. The claims include Colombia's refusal or failure to compensate the Company for the losses with respect to the Company's Reina de Oro project incurred as a consequence of Colombia's prohibition of mining in the páramos (high altitude eco-systems). On March 21, 2018, Montauk filed a Request for Arbitration against the Republic of Colombia before the International Centre for Settlement of Investment Disputes ("ICSID").

The Arbitration is being conducted in two phases. Phase One will determine whether the ICSID Tribunal adjudicating Montauk's claims (the "Tribunal") under the FTA has jurisdiction over this case and whether Colombia has breached its obligations under the FTA and is liable for compensation to the Company. Assuming that ICSID decides in favour of Montauk in Phase 1 (the "Phase 1 Decision"), Phase 2 of the arbitration ("Phase 2") will involve determining the quantum of damages awarded to Montauk to compensate it for losses incurred.

The Company must make a payment of US\$200,000 to ICSID (the "ICSID Payment") before a ruling on Phase 1 is rendered. The Company has advanced the Loan Amount to ICSID to satisfy the ICSID Payment and expects for this to result in the issuance of a decision on jurisdiction and liability. The ICSID payment was originally required to be paid on or before November 9, 2023 (the "Payment Deadline"), however the Company advised ICSID that the Agreements (as defined below) were subject to the approval of shareholders at a meeting of shareholders to be held on December 14, 2023 (the "Meeting"), and accordingly ICSID indicated that they would extend the Payment Deadline until after the shareholders vote to approve the Agreements at the Meeting. Shareholders of the Company approved the Agreements at the Meeting.

Litigation Funding

The Loan Agreement grants Omni the option, exercisable in the sole discretion of Omni (the "Phase 2 Election") to provide litigation funding to the Company pursuant to an arbitration funding agreement (the "AFA", and together with the Loan Agreement, the "Agreements"). The Company, Omni and Lenczner Slaght LLP entered into the AFA, which, should Omni exercise the Phase 2 Election, provides Montauk an initial funding amount of up to US\$2,325,000 (the "Non-Recourse Funding Amount") subject to certain conditions. The Non-Recourse Funding Amount will be used to fund Phase 2 and may be increased in certain circumstances as may be agreed upon between the Corporation and Omni.

If Omni elects to provide the Non-Recourse Funding Amount for Phase 2 and the enforcement of any award obtained by the Company in the Arbitration, the Loan Amount and interest shall be repaid through proceeds recovered in the Arbitration (and in the event there are no proceeds recovered in the Arbitration, such amount inclusive of such interest shall be payable by the Company at the conclusion of the Arbitration). Please see the Company's press release issued on November 9, 2023 and management information circular dated November 9, 2023 for further information on the Agreements.

Omni's return on the Non-Recourse Funding Amount (the "Omni Return") will be limited solely to recovery from the amount of money for which the Arbitration is settled, or for which a final, non-appealable award is given in favour of the Corporation (the "Litigation Proceeds"). The Omni Return shall be an amount calculated as the sum of (i) a multiple of the amounts actually incurred of the Non-Recourse Litigation Funding Amount and (ii) a percentage of the gross recovery proceeds, both calculated when the recovery proceeds are received, as set out in the table below:

Months	Multiple	Percentage
0-12	2.0x	12%
12-24	3.0x	14%
24+	3.5x	16%

For any resolution that occurs on or after thirty-six (36) months from the date Omni makes a positive Phase 2 Election, Omni's Return shall bear interest at the rate of twelve percent (12%) per annum, accruing and compounding on a monthly basis.

The Litigation Proceeds, if received, will be disbursed in the following order of priority: (a) Omni shall be reimbursed the Recourse Loan and the amounts actually incurred of the Non-Recourse Funding Amount; (b) Omni shall be paid the Omni Return and legal counsel shall be paid their legal fees; and (c) the balance shall be paid to the Corporation.

In connection with the Loan Agreement, Note and LFA, the Company has agreed to grant Omni a continuing first priority security interest over any and all assets of the Company (whether presently held or acquired after the date hereof), including the Company's interest in any Litigation Proceeds.

The Company cannot guarantee that it will be successful at the Arbitration, or that the estimated amounts disclosed herein will not be revised as the Arbitration proceeds. The Company also cannot guarantee that it will be able to recover all or part of its legal and arbitration costs from Colombia even if it is successful at the Arbitration. Management of the Company will continue to provide updates on material developments of the status of the Arbitration.

Private Placement Withdrawal

Due to securing the foregoing funding, the Company will not be proceeding with the proposed private placement that was previously announced by the Company on October 5, 2023.

RISK DISCLOSURE STATEMENT: At the present time, the Company's payment obligations are substantially in excess of its cash balances and it has no other assets. The Company is not solvent and cannot continue as a going concern. Trading in shares of the Company and any investment in the Company is highly speculative. No trading in securities of the Company or investment should be made without being able to lose the entire amount of such funds. See below, "Cautionary Note Regarding Forward-Looking Statements". Investors are advised to seek professional advice before making any decision to trade in or invest in the securities of the Company.

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Cautionary Note Regarding Forward-Looking Statements: *This News Release includes certain "forward-looking statements" which are not comprised of historical facts. Forward-looking statements include estimates and statements that describe Montauk's future plans, objectives or goals, including words to the effect that Montauk or management expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Although these statements are based on information currently available to Montauk, Montauk provides no assurance that actual results will meet management's expectations. Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward-looking information in this news release includes, but is not limited to, the status of the Arbitration, the merits and the associated costs of continuing the Arbitration, the availability of funding for continuing the Arbitration, the expected timelines for Arbitration decisions and outcomes, and the Company's ability to operate an active business assuming an unfavourable result from the Arbitration. Factors that could cause actual results to differ materially from such forward-looking information include, but are not limited to: the inability to reinstitute the Arbitration for any reason; costs of the Arbitration for amounts which are in excess of anticipated amounts; an inability on the part of the Company to succeed on Phase One and Phase Two of the Arbitration and the resulting failure to recover damages in respect of the termination of the Reina de Oro project with a complete loss of all costs incurred in respect of the Arbitration; any change in the legal landscape which could render the Company's pursuit of the Arbitration more or less promising; any change in the legislation, policy and/or jurisprudence of Colombia and/or Canada which could impact the ability of the Company to recover damages in respect of the termination of the Reina de Oro project; failure of Omni to exercise the Phase 2 Election to provide litigation funding for Phase 2; fluctuations in currency exchange rates diminishing the ability to use of the proceeds of the litigation funding as described; political risks; uncertainties relating to the availability and costs of financing needed in the future; changes in equity markets; inflation; changes in exchange rates; fluctuations in commodity prices; assuming an unsuccessful result at the Arbitration, the Company may have no commercial operations and has no history of profit, while retaining significant liabilities in connection with the Arbitration; risks of a material adverse change to the Company's ability to develop its properties or generate revenue due to an unfavourable result at the Arbitration; the ability to continue as a going concern assuming an unfavourable result at the Arbitration; and those risks set out in Montauk's public documents filed on SEDAR+. Although Montauk has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. There can be no assurance that forward-looking information will prove to be accurate. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding Montauk's plans, objectives, and goals and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking information. Montauk does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

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